



Global Employer Services Alert Harmonizing global & local perspectives

**PPF account to be closed,
NSC to be encashed if
holder status changes to
NRI**

Issue no: GES/28/2017

In this issue:

[Background](#)

[Key Changes](#)

[Comments](#)

[Do you know about Dbriefs?](#)

[Contacts](#)

Background

- Small savings schemes like Public Provident Fund (PPF) and National Savings Certificate (NSC) continue to be the preferred choice for a sizeable number of the investing population as they are comparatively safer and provide attractive returns and tax benefits.
- The Public Provident Fund Scheme, 1968 and the National Savings Certificate (VIII-Issue) Rules, 1989 do not permit Non-Resident Indians to open an account under the PPF Scheme or invest in NSC respectively.
- However, a resident who subsequently became a Non-Resident Indian during the period of maturity, was allowed to subscribe/invest till its maturity on a non-repatriation basis.
- The government has now come out with a notification on certain changes.

Key Changes

The amendments are as below:

- The PPF account shall be closed/deemed to be closed and NSC shall be encashed/deemed to be encashed with effect from the day the account holder becomes a non-resident.
- Interest applicable on such accounts after the date of such deemed closure would be at a reduced rate i.e. rates applicable to the post office savings account.
- The revised interest would be applicable from such day the holder becomes a non-resident up to the last day of the month preceding the month in which the PPF account is actually closed/NSC is actually encashed.

Comments

With the said amendment, the account holders who are now non-residents, shall earn interest at 4% p.a, which is the current interest specified for Post Office Savings Account, as against the 7.8% interest for both PPF and NSC schemes. Further, non-resident individuals who were planning to invest in PPF/NSC for tax benefits u/s 80 C would now need to revisit the same.

Presumably, the 'non-resident' status referred to in this notification relates to the residential status as per the Foreign Exchange Management Act, 1999 (FEMA).

Source :

Notification No G.S.R. 1237 (E) dated 3rd October 2017

Notification No G.S.R. 1238 (E) dated 3rd October 2017

Do you know about Dbriefs?

Dbriefs are live webcasts that give valuable insights on important developments affecting your business. To register, visit the [Dbriefs](#) page



Download the report



Contacts

Ahmedabad

19th Floor, Shapath - V
SG Highway,
Ahmedabad – 380 015.
Tel: + 91 (079) 6682 7300
Fax: + 91 (079) 6682 7400

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

Bengal Intelligent Park Building
Alpha, 1st floor, Block EP and GP
Sector V, Salt Lake Electronics
Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone
(W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Pune

706, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605



Deloitte makes an impact that matters

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India LLP (DTTI LLP) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This material contains information sourced from third party sites (external sites). DTTL LLP is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such external sites. None of DTTL LLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. This information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

©2017 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited